

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
MICHIGAN GAS UTILITIES CORPORATION)	
for authority to implement a gas cost recovery plan)	Case No. U-18154
and factors for the 12-month period from April 2017)	
through March 2018, and for related approvals.)	
_____)	

At the May 11, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On December 28, 2016, pursuant to 1982 PA 304, MCL 460.6h *et seq.* (Act 304), Michigan Gas Utilities Corporation (MGUC) filed an application, with supporting testimony and exhibits, requesting approval of its gas cost recovery (GCR) plan and factors for the 12-month period ending March 31, 2018.

On February 2, 2017, a prehearing conference was held before Administrative Law Judge Mark E. Cummins (ALJ). During that conference, the ALJ granted the Michigan Department of the Attorney General intervenor status. The Commission Staff (Staff) and MGUC also participated in the proceeding. Subsequently, the parties filed a settlement agreement resolving all issues in the case.

According to the terms of the settlement agreement, attached as Exhibit A, the parties agree that MGUC's 2017-2018 GCR plan is reasonable and prudent and should be approved. The parties further agree that the Commission should approve a base GCR factor of \$4.1507 per thousand cubic feet (Mcf), comprised of a \$3.5066 per Mcf commodity charge to GCR customers and a reservation charge of \$0.6441 per Mcf, which would be charged to both GCR and gas customer choice customers, as set forth in Attachment 1 to the settlement agreement. The parties further agree that the GCR factor is subject to adjustment and will be recalculated in accordance with the fractional multiplier and price ceiling contingency matrix set forth in Attachment 2 to the settlement agreement.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

- A. The settlement agreement, attached as Exhibit A, is approved.
- B. Michigan Gas Utilities Corporation's 2017-2018 gas cost recovery plan is approved as filed.
- C. Michigan Gas Utilities Corporation is authorized for the 2017-2018 plan year to incorporate into its rates a base gas cost recovery factor of \$4.1507 per thousand cubic feet, which is comprised of a \$3.5066 per thousand cubic feet commodity charge to gas cost recovery customers, and a \$0.6441 per thousand cubic feet reservation charge to both gas cost recovery and gas customer choice customers, as set forth in Attachment 1 to the settlement agreement.
- D. Michigan Gas Utilities Corporation is authorized to implement maximum gas cost recovery factors for the 2017-2018 plan year as set forth in the settlement agreement and pursuant to the contingency mechanism set forth in Attachment 2 of the settlement agreement.

E. Michigan Gas Utilities Corporation shall file, within 30 days of the date of this order, tariff sheets substantially similar to Attachments 1 and 2 of the settlement agreement.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel.

Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of May 11, 2017.

Kavita Kale, Executive Secretary

STATE OF MICHIGAN

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MICHIGAN GAS UTILITIES CORPORATION)	Case No. U-18154
for authority to implement a gas cost recovery plan and)	
factors for the 12-month period from April 2017)	
<u>through March 2018, and for related approvals.</u>)	

SETTLEMENT AGREEMENT

Pursuant to MCL 24.278 and Rule 431 of the Michigan Administrative Hearing System's Administrative Hearing Rules, R 792.10431, Michigan Gas Utilities Corporation ("MGUC" or the "Company"), Michigan Department of Attorney General, Special Litigation Unit on behalf of Attorney General Bill Schuette ("Attorney General"), and the Michigan Public Service Commission Staff ("Staff") agree as follows:

1. As required by 1982 PA 304 ("Act 304") on December 28, 2016, MGUC filed with the Michigan Public Service Commission ("MPSC" or the "Commission") the Company's application together with the supporting testimony and exhibits of Russell T. Laursen, Kevin R. Kuse, Nicholas J. Krzeminski, Brian M. Marozas, and David J. Tyler, and a five-year forecast.

2. On January 4, 2017, the Commission's Executive Secretary issued the Notice of Hearing in this proceeding directing MGUC to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships and counties in its service area and to intervenors in Case Nos. U-17940. Further, MGUC was directed to publish the Notice of Hearing in daily newspapers of general circulation throughout its service area. On February 1, 2017, MGUC electronically filed its affidavit of mailing and proofs of publication. On February 7, 2017, MGUC electronically filed additional proofs of publication.

3. On February 2, 2017, Administrative Law Judge (“ALJ”) Mark E. Cummins conducted a prehearing conference. MGUC and Staff participated in the proceedings. The ALJ granted intervenor status to the Attorney General and a schedule for the proceedings was established. The parties subsequently engaged in discovery.

4. MGUC’s GCR Plan proposed a GCR factor of \$4.1507 per Mcf, comprised of a \$3.5066 per Mcf commodity charge to GCR customers and a reservation charge of \$0.6441 per Mcf. The reservation charge would also be implemented to GCC customers. The amended GCR plan also proposed a Contingency Matrix, which would be used to adjust the GCR factor should circumstances warrant.

5. The parties have engaged in discussion and reached agreement upon a settlement for this case. It is the opinion of the signatories hereto that this settlement agreement is reasonable and prudent, will aid in the expeditious conclusion of this proceeding, and will minimize expenses for the Commission and the parties.

6. The parties agree as follows:

- a. MGUC’s 2017-2018 GCR plan is reasonable and prudent and in accordance with Act 304 and should be approved by the Commission.
- b. MGUC should be authorized to implement a base GCR factor of \$4.1507 per Mcf for the 12-month period ending March 31, 2018, as reflected in the tariff sheets in Attachment 1. The base GCR factor of \$4.1507 per Mcf is comprised of a \$3.5066 per Mcf commodity charge and a reservation charge of \$0.6441 per Mcf. MGUC should also be authorized to implement the reservation charge of \$0.6441 per Mcf to GCC customers.

- c. MGUC should be authorized to include hedging costs, OFO penalties and Choice Supplier failure fees to the booked cost of gas and to adjust its base GCR factor according to the Price Ceiling Contingency Matrix as attached to this settlement as Attachment 2.
- d. Beginning with the 2018-2019 GCR plan year, MGUC will perform and present in filed direct testimony the landed cost of gas analysis at its gate stations when entering into or renewing transportation capacity contracts in order to demonstrate the comparative cost advantage of its decision to enter into the transportation agreement
- e. In direct testimony filed for the 2018-2019 GCR plan year, MGUC will discuss the steps it can take to restructure its interstate pipeline capacity contracts and gas purchase strategy to access potentially lower-cost gas supplies from the Marcellus-Utica gas basins.
- f. In direct testimony filed for the 2018-2019 GCR plan year, MGUC will present an analysis showing what additional steps it may be able to undertake to increase the withdrawal rate of gas from its owned storage fields during the winter months, with particular emphasis on the Partello/Anderson gas storage field.
- g. Beginning with the 2018-2019 GCR plan year, MGUC will revise its Exhibit A-12 and Exhibit A-7 (i.e., support for forecasted GCR cost of gas) to make both documents consistent. MGUC proposes to use the last trading day of November to support the unrealized hedging cost or cost

savings in both exhibits. Both exhibits will then show the same unrealized hedging cost or cost savings.

- h. Beginning with the 2018-2019 GCR plan year, MGUC will include in its filed testimony an analysis showing the monthly variance of GCC Daily Delivery Obligations issued during the month versus the actual sales to GCC customers and an explanation of what steps it has taken to (a) identify any anomalies and (b) work to understand and potentially resolve the causes of those identified anomalies to the extent that is practical.
- i. The parties accept MGUC's 5-year forecast as satisfying the requirements of Section 6h(4) of 1982 PA 304, and the parties are not aware of cost items in the 5-year forecast that, based on present evidence, this Commission would likely deny MGUC from recovering from customers in its rates.

7. This settlement resolves all contested issues in this case.

8. This settlement agreement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this settlement are considered privileged under MRE 408. If the Commission approves this settlement agreement without modification, neither the parties to the settlement nor the Commission shall make any reference to, or use this settlement agreement or the order approving it, as a reason, authority, rationale or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided however, such references may be made to enforce or implement the provisions of this settlement agreement and the order approving it.

9. This settlement agreement is not severable. Each provision of this settlement agreement is dependent upon all other provisions of this settlement agreement. Failure to comply with any provision of this settlement agreement constitutes failure to comply with the entire settlement agreement. If the Commission rejects or modifies this settlement agreement or any provision of this settlement agreement, this settlement agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall not operate to prejudice the pre-negotiation positions of any party.

10. The parties agree to waive Section 81 of the Administrative Procedures Act of 1969 (MCL 24.281), as it applies to the issues in this proceeding, if the Commission approves this Settlement Agreement without modification.

MICHIGAN GAS UTILITIES CORPORATION

Paul M.
Collins

Digitally signed by: Paul M. Collins
DN: CN = Paul M. Collins C = AD
O = Miller Canfield
Date: 2017.04.20 16:59:32 -04'00'

Dated: April 20, 2017

By: _____
One of Its Attorneys
Sherri A. Wellman (P38989)
Paul M. Collins (P69719)
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
One Michigan Avenue, Suite 900
Lansing, MI 48933

MICHIGAN PUBLIC SERVICE COMMISSION STAFF



Digitally signed by Bryan A. Brandenburg
Date: 2017.04.21 08:22:03 -04'00'

Dated: April 21, 2017

By: _____
Bryan A. Brandenburg (P77216)
Assistant Attorney General
Michigan Public Service Commission
State of Michigan
7109 W. Saginaw Hwy, 3rd Floor
Lansing, MI 48917

ATTORNEY GENERAL BILL SCHUETTE

Dated: May 3, 2017

By:   Celeste R. Gill
2017.05.03 11:48:42 -04'00'

Celeste R. Gill (P52484)
Assistant Attorney General
Michigan Department of Attorney General, Special
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MICHIGAN PUBLIC SERVICE COMMISSION
MICHIGAN GAS UTILITIES CORPORATION

MICHIGAN GAS UTILITIES CORPORATION
M.P.S.C. NO. 2 - GAS

Replaces _____ Revised Sheet No. D-2.00
Replaces _____ Revised Sheet No. D-2.00

D3. GAS COST RECOVERY FACTORS

The listed monthly Gas Cost Recovery Factors are authorized pursuant to Rule C9,
Gas Cost Recovery Clause.

<u>Billing Month</u>	<u>Authorized Base Factor \$/Mcf</u>	<u>Maximum GCR Factor Allowed</u>	<u>Actual Factor Billed \$ Mcf</u>
April 2016	\$4.1507		
May	4.1507		
June	4.1507		
July	\$4.1507		
August	4.1507		
September	4.1507		
October	\$4.1507		
November	4.1507		
December	4.1507		
January 2017	\$4.1507		
February	4.1507		
March	4.1507		

The Maximum GCR Factor Allowed is based upon changes in the NYMEX and adjusted according to
Sheets D3.00 or D4.00

The Company will file a revised Sheet No. D-2.00 monthly or as necessary to reflect the factor to be billed
the following month.

The Company will file by December 31, 2017 for maximum Gas Cost Recovery Factors for April 2018
through March 2019. The Gas Cost Recovery Factor to be charged beginning April 2018 is authorized
pursuant to §6(h)(9) of 1982 PA 304, as amended, MCL 460.6h et seq.

In addition to the above Gas Cost Recovery Factors, rates are subject to the supplemental charges
shown on Sheet Nos. D-1.00, D-1.01 and D-1.02.

The GCR is composed of the following cost components:

	<u>Authorized Base Factor</u>	<u>Actual Factor Billed</u>
Reservation Charge	\$0.6441 per Mcf	\$_._____ per Mcf
Gas Commodity Charge	\$3.5066 per Mcf	\$_._____ per Mcf

Issued: (date)
By: Theodore Eidukas
VP - Regulatory Affairs
Milwaukee, Wisconsin

Effective for bills rendered for the April 2017
through March 2018 billing months.
Issued under authority of 1982 PA 304,
Section 6h and the Michigan Public Service
Commission for self-implementing In

MICHIGAN PUBLIC SERVICE COMMISSION
MICHIGAN GAS UTILITIES CORPORATION

MICHIGAN GAS UTILITIES CORPORATION
M.P.S.C. NO. 2 - GAS

Replaces _____ Revised Sheet No. D-1.00
Replaces _____ Revised Sheet No. D-1.00

SECTION D
RATE SCHEDULES

D1. GENERAL TERMS AND CONDITIONS OF THE TARIFF

(1) Controlled service.

All rates are subject to all provisions in Rule C2. of the Rules and Regulations of The Company which are applicable to priority of service hereunder.

(2) Territory served.

All rates apply in the territory served by the Company, comprising the cities, villages and townships in all Districts in the applicable Rules and Regulations of the Company except where specifically noted.

D2. SUPPLEMENTAL CHARGES

Each rate schedule may be subject to supplemental charges under Rule C11, Customer Attachment Program, a Reservation Charge and Energy Optimization ("EO") surcharges required by Public Act 295, as detailed below:

RESERVATION CHARGE - this charge allows for the recovery of costs related to the assets necessary to provide peak-day coverage and for the utility to serve as the "supplier of last resort" from Gas Customer Choice program customers, as required by the Commission in Case No. U-15929. The Reservation Charge is also a base component of the GCR Factor, which also is comprised of a Commodity Charge.

Reservation Charge

As set forth on Sheet No. D-2.00

ENERGY OPTIMIZATION Surcharge - this charge permits, pursuant to Section 91(4) of 2008 PA 295, the adjustment of rates, to allow for recovery of the payments made by the Company in compliance with Section 91 (1) of 2008 PA 295.

<u>Customer Class</u>	<u>EO Surcharge</u>
Residential	\$ 0.1624 per Mcf
Small General Service	\$ 4.39 per meter, per month
Large General Service	\$ 109.03 per meter, per month
Commercial Lighting	\$ 8.73 per contract, per month
Special Contracts	\$ 179.89 per month
Transportation -	
TR-1	\$ 39.65 per meter, per month
TR-2	\$ 118.77 per meter, per month
TR-3	\$ 523.83 per meter, per month

Issued: (date)
By: Theodore Eidukas
VP - Regulatory Affairs
Milwaukee, Wisconsin

Effective for bills rendered for the April 2017
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MICHIGAN PUBLIC SERVICE COMMISSION
MICHIGAN GAS UTILITIES CORPORATION
GCR CEILING PRICE CONTINGENCY MATRIX

Fractional Multi Fm		1.0478				
Reservation Charge		\$0.6441				
Plan NYMEX (Xplan)		\$3.5066				
Base GCR Factor		\$4.1507				
NYMEX Increase				NYMEX Increase		
Greater than or Equal to	But less than	The Maximum Allowed GCR Factor Adjustment (\$/Mcf)		Greater than or Equal to	But less than	The Maximum Allowed GCR Factor Adjustment (\$/Mcf)
\$0.00	\$0.05	4.1507		\$1.55	\$1.60	5.7748
\$0.05	\$0.10	4.2031		\$1.60	\$1.65	5.8272
\$0.10	\$0.15	4.2555		\$1.65	\$1.70	5.8796
\$0.15	\$0.20	4.3079		\$1.70	\$1.75	5.9320
\$0.20	\$0.25	4.3603		\$1.75	\$1.80	5.9844
\$0.25	\$0.30	4.4127		\$1.80	\$1.85	6.0367
\$0.30	\$0.35	4.4650		\$1.85	\$1.90	6.0891
\$0.35	\$0.40	4.5174		\$1.90	\$1.95	6.1415
\$0.40	\$0.45	4.5698		\$1.95	\$2.00	6.1939
\$0.45	\$0.50	4.6222		\$2.00	\$2.05	6.2463
\$0.50	\$0.55	4.6746		\$2.05	\$2.10	6.2987
\$0.55	\$0.60	4.7270		\$2.10	\$2.15	6.3511
\$0.60	\$0.65	4.7794		\$2.15	\$2.20	6.4035
\$0.65	\$0.70	4.8318		\$2.20	\$2.25	6.4559
\$0.70	\$0.75	4.8842		\$2.25	\$2.30	6.5083
\$0.75	\$0.80	4.9366		\$2.30	\$2.35	6.5606
\$0.80	\$0.85	4.9889		\$2.35	\$2.40	6.6130
\$0.85	\$0.90	5.0413		\$2.40	\$2.45	6.6654
\$0.90	\$0.95	5.0937		\$2.45	\$2.50	6.7178
\$0.95	\$1.00	5.1461		\$2.50	\$2.55	6.7702
\$1.00	\$1.05	5.1985		\$2.55	\$2.60	6.8226
\$1.05	\$1.10	5.2509		\$2.60	\$2.65	6.8750
\$1.10	\$1.15	5.3033		\$2.65	\$2.70	6.9274
\$1.15	\$1.20	5.3557		\$2.70	\$2.75	6.9798
\$1.20	\$1.25	5.4081		\$2.75	\$2.80	7.0322
\$1.25	\$1.30	5.4605		\$2.80	\$2.85	7.0845
\$1.30	\$1.35	5.5128		\$2.85	\$2.90	7.1369
\$1.35	\$1.40	5.5652		\$2.90	\$2.95	7.1893
\$1.40	\$1.45	5.6176		\$2.95	\$3.00	7.2417
\$1.45	\$1.50	5.6700		\$3.00		7.2941
\$1.50	\$1.55	5.7224				

MICHIGAN GAS UTILITIES CORPORATION
M.P.S.C. No. 2 – GAS

First Revised Sheet No. C-30.00
Replaces Original Sheet No. C-30.00

Continued From Sheet No. C-29.00

C8.7 Measurement of gas service.

Bills will be based upon the registration of the Company's meters except as otherwise provided in these Rules, Regulations and Rate Schedules.

The rates contained in these Rules, Regulations and Rate Schedules apply to the quantities of gas registered by each individual meter for the billing period for which the meter may be read. A single meter shall not supply more than one customer. When the Company, pursuant to provisions of Rule C7.5, installs two or more meters on the same premises to serve a single customer, the consumption registered by such meters shall be consolidated and the rates under which service is taken applied to the total consumption.

C9. GAS COST RECOVERY CLAUSE

C9.1 Applicability of clause.

All rates for gas service, unless otherwise provided in the applicable rate schedule, shall include a Gas Cost Recovery Factor to allow the Company to recover the booked costs of gas sold by the Company if incurred under reasonable and prudent policies and practice.

C9.2 Booked cost of gas sold.

- (a) Booked cost of gas sold as used in this rule includes the following as expensed on the books of the Company:
 - (i) Interstate Purchases: Cost for gas service.
 - (ii) Intrastate Purchases: Costs for gas service incurred pursuant to all contracts on file with the Michigan Public Service Commission.
 - (iii) Company Produced Natural Gas: Costs which vary with volume produced.
 - (iv) Company Produced Substitute Natural Gas: Costs for feedstock used to produce substitute natural gas.
 - (v) Liquefied Petroleum Air Gas: Costs for propane used to produce a propane-air gas mixture.
 - (vi) Storage Gas: Net costs of gas injected and withdrawn from underground storage facilities.
 - (vii) Purchases From Other Michigan Utilities: Costs for gas service pursuant to contracts approved by the appropriate regulatory body.
 - (viii) Supplier Refunds and Credits: Refunds and credits from suppliers in the period realized.
 - (ix) Hedging costs.
 - (x) OFO penalties and Choice Supplier Failure Fees.

Continued on Sheet No. C-31.00

Issued:
By: Theodore Eidukas

Effective for Service rendered
On and After: April 1, 2017